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—from "Looking Toward a Theory of Industrial Management", by W. V. Owen, page 13

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Correspondence: Visit to Japanese Factories

READERS OF ADVANCED MANAGEMENT might be interested in a few recent observations of mine in Japan.

During the latter part of 1959 I visited 12 Japanese factories and counseled executives and engineers in the presence of Japanese consultants.

Despite the high efficiency of some of these factories I was surprised at the eagerness of these executives and engineers. They kept pressing me for more and more suggestions, noting these off-the-cuff ideas on paper. This eagerness was in sharp contrast to the attitude of some of my American clients who, occasionally, sit back and dare me to tell them anything new (reminding me of an old adage, "Man is the only animal that fights to stay in a rut").

There is considerable paternalism in Japanese companies. Once a person is hired, an employer assumes a moral obligation to look after him (her) up to the age of 55 (when he retires, usually on a modest pension). If a worker does not make good on one job, he is tried on another job because an employer knows that it is difficult for a Japanese worker to secure employment elsewhere. Thus a round peg in a square hole might end up as a handy man around a factory (or around an executive's home).

This paternalism, in many cases, goes to the point of match-making for unmarried workers; and whenever an employee gets married, he (she) gets 2 weeks of honeymoon vacation (with pay). Wages are a function of need and length of service; thus a man with 4 children receives more money than a man with 2 children; and a man with 10 years of service receives more wages than a man with only 5 years of service.

Unions are well entrenched in most factories employing upwards of 100 people. The chief bone of contention is the semi-annual bonus which frequently amounts to 20% to 40% of the base pay but is unrelated to efficiency, profits, or to anything else. Twice a year the union "puts the bite" on management for more bonus — "or else". Incidentally, Japanese foremen are members of the union and often do production work. But they do not have the "savvy" that American foremen have.

The intense desire of the Japanese to forge ahead despite tremendous odds took an amusing twist at times. A Japanese consultant said (in deliberate English) "This factory is 3 years old". There followed a long pause and some muttering; then in a clear voice came this: "*are* 3 years old". Some of my little used American expressions did not stop my eager interpreters for long. Thus my use of "Caesar's wife must be above suspicion." came out in the form of a Japanese proverb, "An honest man will not tie his shoes in a cucumber patch".

95% of the Japanese people are fond of America and Americans. Indeed, the Japanese are among the best friends we have in the world today — and they will remain our friends for many decades to come.

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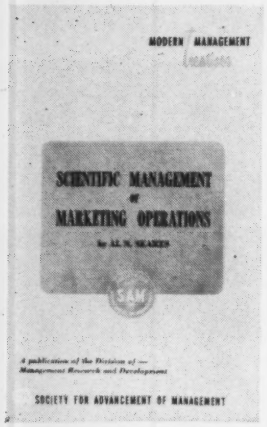

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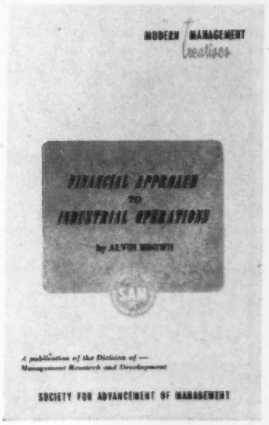

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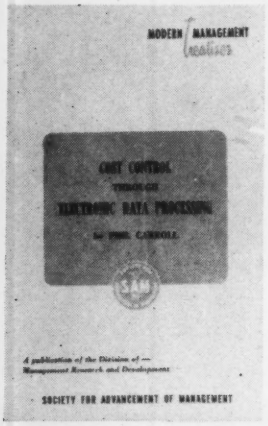
Although problems of financial management are the immediate responsibility of financial executives, the author of this treatise points out these problems are nevertheless the concern of everyone in a business organization. He shows how the function of financial analysis may facilitate the solution of managerial problems generally.



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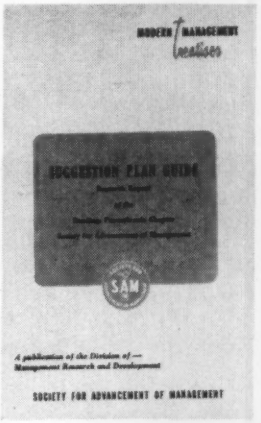

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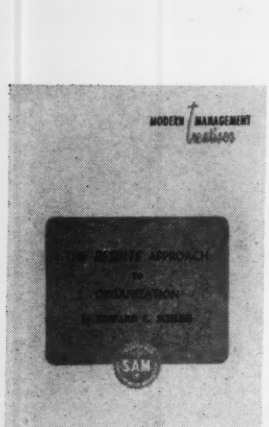

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A checklist of tested procedures and tools for use in choosing salesmen:

SOUND SELECTION:

By W. J. E. CRISSY and CHARLES L. LAPP

TOO FREQUENTLY sales managers think of hiring as a one-way decision. Actually, selection is only effective when it involves decision making on the part of the applicant as well as on the part of management. Both parties have a tremendous financial stake in making a sound choice. In the case of sales personnel the company must figure not only its recruiting, hiring, and training costs but also the loss of sales revenue if the wrong man is hired. The investment is high for the applicant also. He is gambling a segment of his occupational lifetime in the hope of realizing maximum return. If he is selected for the wrong job, he suffers a loss he cannot recover. Even if the applicant turns out to be a so-so salesman, there is a loss in revenue for the company. Yet despite the dollars involved, many companies, especially those whose salesmen are on straight commission, continue to do a haphazard job of selecting new salesmen. Unfortunately the major losses from poor selection never show up on an accountant's operating statement.

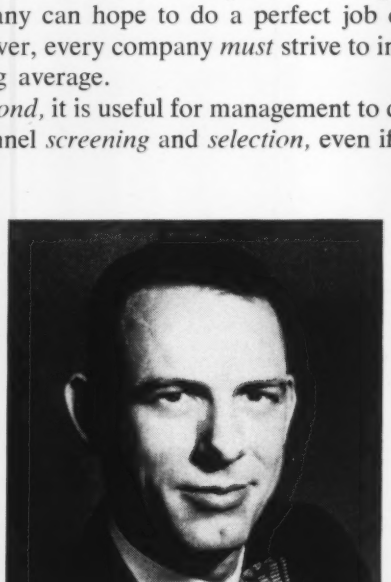
Management Considerations in Selection

If selection is to be done effectively, management must be aware of these considerations.

First, since human beings are as complex as they are, no company can hope to do a perfect job of "picking them". However, every company *must* strive to increase its selection batting average.

Second, it is useful for management to distinguish between personnel *screening* and *selection,* even if no personnel staff

An industrial psychologist, Dr. Crissy is president of Personnel Development, Inc., a consulting firm specializing in sales and executive selection and training



Dr. Lapp, professor of marketing at Washington University in St. Louis, is author of Training and Supervising Salesmen, *recently published by Prentice-Hall, Inc.*

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...irst Step in Building an Effective Sales Force

as such exists to help operating management with its hiring problems. *Screening* is basically eliminative and negative; *selection* is positive — picking, among likely applicants, new employees. Certain management tools and procedures are appropriate for screening and selection, yet some are better used for screening; others are better for selection. Further it is important to make a distinction between screening and selection in assigning the responsibility for each. The screening function may often be assigned to staff executives whereas the selecting function should always be a line function and possibly the final determination should be made where it can be by the man who will supervise the salesman.

Third, management should consider evaluative information obtained during screening and selection as the beginning of a continuing appraisal record of each new employee. This means that such data should be made available to those responsible for training and supervising men once they are hired. Considered this way, a proportionate share of costs of selection can be logically and appropriately allocated to these other management functions.

Pre-Screening Steps

Before *any* screening and selection takes place, two important steps must be taken.

1) Prepare a sales job description. This will include as a barest minimum the following elements — responsibilities of the salesman to customers, the sales supervisor, members of management in other departments, and for his own time expenditures; activities concerned with selling, credit, delivery, field service, market research, trade shows, etc.; minimum essential manpower requirements in terms of human qualities needed, e.g., education, previous experience, willingness to travel and interests. Too frequently, this last part is too sketchy or omitted entirely.

2) Decide upon sources of applicants. In these days of "flush" employment several sources should be tapped. Very few sales executives can depend any longer on walk-ins who are attracted to their company. The following ones merit consideration:

Within the Company

Office employees.
Production employees.

Outside the Company

Non-competitive salesmen selling other services or products.
Recommendations by your own personnel.
Private and government employment agencies.
Advertisements in newspaper and local trade magazines.
Colleges and universities. (Particularly participants in Adult Education Programs)
Retired business men.
Supply salesmen who call on you.
Buyers or sellers who are or have been clients or employees of clients.

Procedures and Tools in Screening and Selecting

Evaluative information is potentially available for use in screening and selecting sales personnel from four general sources:

1) Data provided by the candidate on the application form or in an application letter.
2) Information from school, community, and work references.
3) Results of psychological tests.
4) Judgments made by company interviewers.

Each of these warrants critical evalation to assure a payoff in more effective selection.

Application Form

This tool functions both as a screening device and as a selection aid. Responses requested either by questions asked or spaces to be filled in serve either to identify the applicant or to describe the candidate to facilitate an evaluation of

HOW TO DETERMINE WHETHER YOUR SELECTION AND TRAINING PROGRAM NEEDS OVERHAULING

- ***Check the amount of turnover in your sales force during the last 5 years.***
- ***Compare your turnover on manpower with that of similar companies in your own industry and other industries.***
- ***Estimate sales lost because of:***
  - ***a) Territories not being covered while new men were trained.***
  - ***b) Former salesmen failing to attain sales comparable to a reasonable potential.***
  - ***c) Ill-will created among buyers by too many salesmen calling on them or improper selling by those salesmen still in your organization.***
- ***Evaluate the dollar loss in investments made in selecting or training salesmen who left the company or were fired in the last 5 years.***
- ***Ask your buyers and prospects what salesmen need to know and do to improve.***
- ***Question your salesmen as to what assistance, support and training they feel they need to improve.***
- ***Compare your selection and training programs with those of competitive companies and similar companies in other industries.***

—C. L. L.

certain characteristics. Ideally, each response should serve both purposes. An example of the former would be the spaces for name and address. An example of the latter would be questions concerned with quantity, quality and type of education.

Frequently, a management review of the company's application blank reveals the presence of "dead wood" items. One company had one-third of a page devoted to foreign language skills yet the salesmen never had the occasion to use other than the mother tongue.

In most companies, the application blank is used most effectively as an aid for effective interviewing. Hence the filled out form should be reviewed prior to the interview to formulate hypotheses to test in the interview. Specific questions for use in the interview may also be noted if care is taken in checking the applicant's responses to questions.

Here are some examples of hypotheses growing out of a critical review of a filled out form:

Response by applicant	*Hypothesis to be tested*
Four jobs in six year period.	"Grasshopper"? Instability with regard to job goals?
Reason given for leaving last employment—"Personal".	Evasive? May tend to hold back information.
Several omissions.	Evasive? Careless about details?

Such specific questions as these might be formulated through a careful review of a completed application blank:

Response by applicant	*Questions for the interview*
Membership in several college organizations.	What was your personal role in (name of organization)? What was your biggest contribution to its success? Why did you join (name of organization)?
Income as stated for present employment higher than starting salary for opening under consideration.	Why are you willing to cut back your income? What do you feel you should be earning one year from now? Five years hence?

Generally speaking, the value of an application blank in selecting salesmen depends on the care with which it is constructed, the time spent in reviewing the filled out form, and the degree to which it is related to the content of subsequent interviews. Too often a well built form is used superficially. The sales executive may not even look at it until the applicant is ushered in for an interview.

Reference Checks

Inquiries directed to references have three potential values.

First and foremost, they constitute a source of evaluative information.

Second, reference checks have an important public relations value — they bring the name of the company to the personal attention of key individuals in the schools, the community and the business world. Further, an opportunity is afforded to show the importance the company places on hiring the right man for the right job.

Third, an impact of reference checking is the motivational effect on the applicant. A careful follow-up of references is tangible evidence to him of the stress placed on selection. Also, he realizes that other people are on record with the company regarding his abilities, personality, and character.

How then can this selection procedure be used effectively? Whether references are checked in person, by telephone or mail, two points, often ignored, should be covered explicitly. The reference must be reminded that there is a two-way decision involved, the applicant's and the company's. He must be furnished a summary picture of the job opening and the qualities being sought in the candidate. Covering the former point helps minimize bias, the latter furnishes a frame of reference for his judgments. You are more apt to obtain helpful evaluative information in person-to-person reference checks than by mail or over the telephone.

In general it is more effective to interview references in person, next best, to telephone them, and least satisfactory, to write to them. Every executive knows how people are loathe to say unfavorable things about another person in writing! Another factor which will markedly affect the usefulness of references' opinions is the specificity and concreteness of questions put to them. It is worthwhile to think through such questions in advance of the reference interview or telephone call and to state them clearly.

Psychological Tests

These management tools must be used cautiously and with competent, professional advice. Despite glowing claims for their effectiveness by certain testing and consulting firms, the research would indicate that tests have limited value in sales selection and are probably best used as part of initial screening.

What kinds of tests are available for screening salesmen? The most widely used are the *intelligence* or *general aptitude* tests often mistakenly called "I. Q." tests. These are more useful in determining whether a sales applicant has sufficient mental ability to be trained economically than in forecasting his success in selling.

Also available are several so-called *sales aptitude* tests. None of these has established merit in screening sales candidates. There is reason to question whether a special aptitude for selling exists as a measurable human quality.

Interest tests are also widely used. Certain industries have found this type of test very helpful in screening. Others have obtained relatively poor results with these. Such tests are conducive to faking by applicants which imposes another restriction on their potential utility.

Perhaps the most controversial type of test used in sales screening is the so-called *personality inventory*. The research evidence of their worth is practically nil. Yet, because personality characteristics are patently so important in selling, they continue to be used, often uncritically. At best, they may provide clues worth further exploration in the interview.

Multiple Interviews — Key Source of Evaluative Information

The key source of evaluative information about sales applicants is the interview. It is useful as one of the screening steps and mandatory before the decision to hire is made. Among the procedures and tools, it alone accords the applicant intimate, personal treatment. Uniquely in the interview, he can evaluate his own fitness for the opening. This is one of the chief advantages of the interview and to the extent that self-appraisal is encouraged the interview will be more useful.

Before considering the evaluative uses of effective interviewing, other benefits deserve mention. There is an evident public relations value particularly in the case of rejected applicants. If an unsuccessful candidate leaves with the feeling that importance is attached to hiring and that care has been taken to evaluate his talents, he is likely to respect the company and its executives. The interview has unique communication benefits, too. Misunderstandings can be resolved and incomplete information can be supplemented. This give and take between interviewer and applicant is fundamental if this selection tool is to pay off.

How can maximum evaluative use be obtained? At the outset, it should be noted that executives vary in their ability as "pickers". Therefore, as a first step, the judgments of the individual interviewers need to be related to the subsequent performance and adjustment of candidates hired. (Crissy has published elsewhere detailed procedures for conducting research on the interview.[1]) In this way "poor pickers" can be identified for interview training.

The first step toward effective interviewing is careful preparation for each interview. This includes reviewing the job description, especially the man-power requirements, and the antecedently collected information on the applicant, particularly questions raised from the application form. Next the executive should free himself as much as possible from interruptions.

Structured vs. Non-Structured Interviews

The interview itself should be structured at least to the point of specifically covering relevant human qualities essential to successful handling of the selling job. Two extremes should be avoided — on the one hand, informality to the extent of being haphazard; on the other, extreme patterning to the extent of uncritical parroting of prescribed questions. Better results will be obtained if an interview report form is used which spells out the qualities being sought. This way, there will be less danger of omitting an essential area.

Questions asked should be such that conversation is elicited. Those which can be answered yes or no might be better placed in the application form. The goal of all

[1] Crissy, W. J. E., "The Employment Interview — Research Area, Methods & Results," Personnel Psychology, Volume 5, #2, 1952.

questioning should be precise observation and description of the candidate in terms of those qualities considered necessary to succeed in the particular selling assignment to be filled. To the extent that the interviewer does this, he is able to make a valid evaluation of the interviewee.

Interviewing Techniques

Because good interviewing is both an art and a science, it is difficult to set any rigid rules concerning the sequence of topics to be followed in the interview. Generally speaking, however, this sequence is recommended:

75% Interviewer talking

1. Establish an atmosphere of mutual confidence.
2. Discuss the job description and manpower requirements.

75% Interviewer listening

3. Get information about "can do" qualities e.g., education, experience, special flairs.
4. Explore "will do" qualities, e.g., character, personality, motivation.
5. Resolve any questions which the applicant may have.

Here is the thinking underlying this order of topics. The interviewer and interviewee must both be at ease with one another. At this stage, it is well to indicate explicitly to the applicant the importance the company places on hiring as well as the high stake the applicant has in proper placement. Some interviewers find it desirable to begin the interview by having the candidate recapitulate the steps taken so far in the hiring process. Once the proper atmosphere is established, it is well to discuss the company, its products and services, and the responsibilities and activities required of the salesman. Here the interviewer should make sure the applicant understands the specific manpower requirements. The applicant can talk about these things with less hesitation than he can about himself. Now a transition can be made to questioning the man about his abilities as they measure up to the specifications. *"Can do" qualities are relatively easier to appraise than "will do" qualities.* Gradually, questions should be woven in concerning the candidate's interests on the job and off the job, his attitudes, and his personal and social adjustments. Here it is important to explore home life, the plans he has for his family, the wife's attitude toward the new job, etc. The more important the sales job — the more important it is to interview the wife. When possible both the applicant and his wife should be interviewed by more than one executive and under different conditions if possible. Throughout the interview, the applicant should be encouraged to ask questions and at the close, again be urged to clear up any questions or problems.

Proper balance of talking and listening time is a bench mark of good interviewing. Most executives talk too much. One result is that they fail to probe deeply enough to determine exactly the kind of person the candidate is. Also, they may be embarrassed to delve deeply in the "will do" area. Yet an overwhelming majority of failures in selling are traceable to motivational and personality shortcomings. As a rough rule of thumb, the interviewer should talk between 40 and 60% of the time devoted to the interview.

Medical Examination

A complete medical check as to the applicant's health before hiring will be worthwhile for most companies. The physician making the check should have a briefing on the physical requirements of the salesman's job in order to assist fully in his recommendations.

Go through All Selection Steps

While companies may vary in the time sequence of these tools and procedures, inevitably the selection interview becomes the final step in employment. Here the executive must resolve moot points, make judgments on the candidate's technical qualifications, and decide whether the man will fit as a member of the sales team. *Avoid hiring without going through all selective steps.* This is a suggested sequence to follow for effective selection:

1) Preliminary interview by a staff member or subordinate.
2) Application form completed by applicant and reviewed by the company. (In some cases possibly an application letter may provide more useful evaluative information.)
3) Reference checking.
4) Testing.
5) Physical examination.
6) Selection interview(s) by operating sales management.

At each step some candidates usually will be and should be eliminated.

Review Periodically Your Selection Program

Selection tools and procedures, like all other management activities, must be checked upon periodically to determine their effectiveness and to add further refinements.

The ultimate yardstick to apply to any selection tool or procedure is: *Does it forecast sales performance?*[2] If, for example, low scorers on a test turn out to be so-so salesmen and high scorers become top salesmen, then the test is useful. This same research check should be applied to reference checks, interviewers' judgments, everything used in the hiring process. If this is done, the company will have taken the first step in building a hard hitting sales force — by effective selection. Remember every man you hire represents an investment that you want to be a profitable investment.

[2] For suggestions on how to use information obtained during the screening and selecting steps in training and supervising salesmen, see: Lapp, Charles L., *Training and Supervising Salesmen*, a Prentice-Hall book distributed by Business Book Co., St. Louis 30, Mo.

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Variations On a Memo Theme

By EUGENE H. FRAM and ROBERT G. KOCH

IF YOUR MEMOS seem routine and are dull to compose, perhaps you should consider some of the delightful opportunities and impressive hazards that the common office memo really offers. There is the chance, for example, to infer with relative safety what you would never dare to state.

This workman-like, even shy little piece of paper, is as indispensable to the business organization as great trunk lines are to AT&T or protocol is to an international conference. The memo conveys, cements, keeps order, and records the ideas and feelings, and sometimes even the deep emotions of the staff. But the prose face of the memo is always a Ned Sparks-like deadpan.

Back of that memo face is the office message center, the office memory, the conscience prick of the follow-up, the enticing or nagging suggestion. But the prose face, we repeat, is deadpan.

However, when we begin to look at the profile of the memo face — to examine the format frame of the message — we sense traces of a malicious leer, a frown, a quizzical squint, or a mysterious smile. For the office memo is a subtle vehicle of human relations — especially in its format. Let us consider the strategy and the tactics of this half-sheet demon.

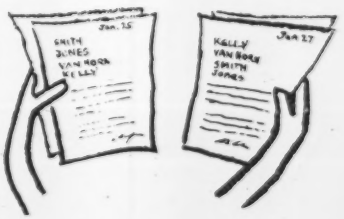
Strategy of the Carbon Copy

Have you ever considered, for example, the strategy of the carbon copy? Not only the question of how many and who gets them (all carefully listed at the bottom for all to see) but its other, even subtler aspects. The tactics of that "CC" list is as complex as an international tariff schedule.

The Uses of Inference: In the decisions surrounding the adding or subtracting of names from its customary roster are dozens of wrenches and turns with which to plague your colleague, as he reads between the lines and around the edges.

Here are some of the ways inference can be used to advantage.

Send a Carbon Copy to Your Superior: If another department is not giving you service or doing its job up to standard, there may be very little that you



can formally do about it. In the "polite society" of the business world one does not call colleagues "nincompoop" and get away with it. It just isn't done! However, the carbon copy may all but spell out such a message. The damning action takes this form.

Write a memo to the department concerned outlining the complaints which you have in diplomatic, even angelic, language. Then send a carbon copy to your own superior or the superior of the recipient of the memo. Procedurally, you are within the letter of office law, but the spirit of your intention should be clear to all but the most feeble-minded.

Demotion by Carbon Copy: In the "White Collar" world of the office one can easily detect rises or falls in popularity by checking the position of a person's name on the list of carbon copy recipients. It's almost like watching an elevator dial. In fact many executives will check the arrangement to determine mobility in the organization.

Therefore, in a situation in which you can't do much to get back at an office adversary, demotion by carbon copy is sometimes effective. This technique involves sending a memo in which your opponent is placed on the bottom of the "CC" list, with all his subordinates (janitor included) above him. In most cases there may be very

little that the receiver can say about this situation. On the other hand, you can make your friends vice-presidents, at least over-night, by "CC" promotion!

Naturally, this is a tricky technique, so that if you are afraid to tinker with it, there is always the coward's way out — alphabetization.

Legibility of the Carbon Copy: If the above methods seem too pugnacious for you, there is the more subtle method of giving the poorest copy to your "friend". A persistent flow of poor carbons may drive him into trifocals and you've won a point. This technique probably works best on your less brilliant adversary.

Timing the Carbon Copy: Another more subtle method of using the carbon is to hold off your enemy's copy until all the news in it is already around the office. Let him get boiled up about not having received official notice of the information and come stomping in to see you. When the steam clouds have lifted, tell him that his carbon copy was "accidentally" mislaid in the mail and just went out to him. (After he leaves pull the carbon out of your desk and send it.)

Columns or Blocks?: If you have two touchy people who take offense at being put at the middle or end of a list of carbon copy receivers, you may find it helpful to break the list into parallel blocks and assure them room at the top! This will save face for both.

Moot Questions on Procedures

We do admit that after all the concrete information given above that there remain a few moot questions.

Initials: There is the problem, for example, of initials in place of names. There is economy in initials, but are they not a bit frigid, a bit reminiscent of the growling office bear who always seemed to answer to "J.C." or "C.J."? Perhaps their very aloofness could be a weapon in your office cold war.

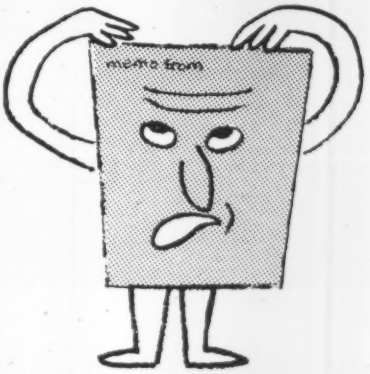
Titles: Then there is the question of honorary titles: Mr., Mrs., Miss, Dr., and the others. Perhaps you feel that politeness overrides economy in their favor. Even here you can use leverage — by inserting the lone Dr. among all those Mr. labels, for example.

Then, too, there is always that mystery woman hovering in the wings of some distant department or subsidiary who has never made clear her marital status. You study her name to catch the shadings of its sounds, looking for a clue to her status. In time you convince yourself thoroughly that she has exactly the marital status that she does not have!

COPY Paper: Does the word COPY marching across that second sheet make too obvious its second-class citizenship? Isn't the fuzzy typing and sooty surface of the thin sheet indication enough of the low status of the recipient?

Choice of Style: Style, some critic has written, is the man. Concerning the office memo it may be more appropriate to think of style as indicating what the man wishes to become!

The bow-and-scrape formality of the



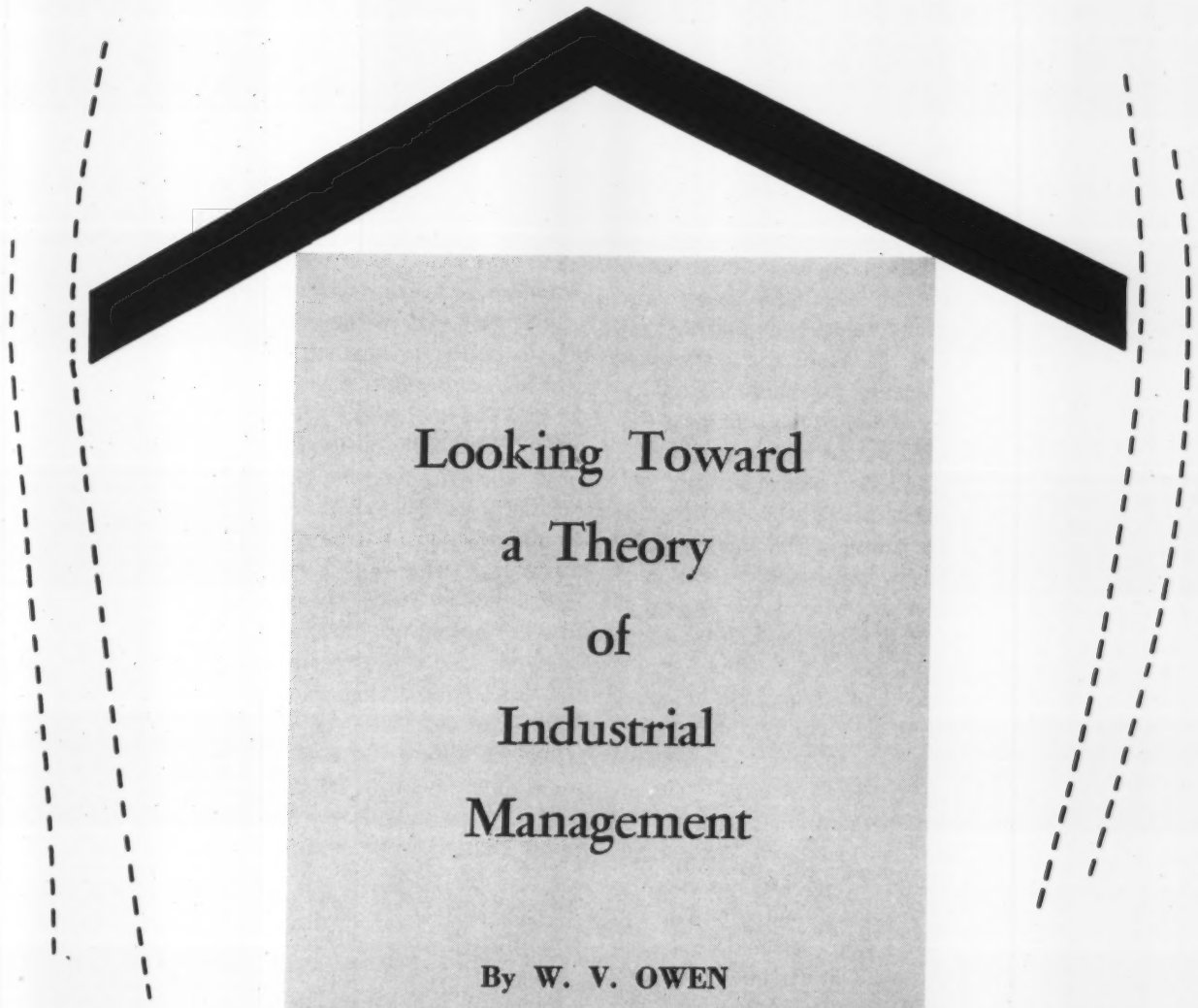
new junior executive gives way in time to the buddy-buddy familiarity of the junior executive on the threshold of Olympus itself — the plush office with curtains and that knee-deep rug.

Tone through Format: Again, much of the tone of the memo will be conveyed by the niceties of format or their off-handed dismissal, by the very list of names, but above all by the salutation and by the closing and signature. One can dare with a familiar nickname to whistle in the very presence of the gods (V.P.'s and above) and wait for the office walls to emulate those of ancient Jericho. One can ape, *here,* the dollar-a-second illegibility of Presidential signatures. (*Presidents* know how this wins deference to an intimidating degree.)

And don't forget the pretension, the mystery, or the false-humility of the words that follow "Re:"! They can have all the flair of Pentagon project titles, those Mother-Goose-like magic phrases.

Finally . . .

There's fun and freedom to be had with the paraphernalia of the office memo. There exists for you as sender and receiver of office memos the challenge of promotion and the threat of demotion. But watch out — the writer of the next memo you will read may have gotten to this article before you did!



Looking Toward a Theory of Industrial Management

By W. V. OWEN

THERE has been an uneasy feeling for some time among the verbalizing intellectuals concerning the state of theoretical explanations of our present day industrial society. Gardiner C. Means and Edward S. Mason have well expressed the general idea of the inadequacy if not lack of a theoretical structure for explaining the behavior of our industrial economy.[1]

The purpose of this discussion is not to debate the merits and demerits of the theories advanced by Adam Smith, Say, Walras, Marshall, Keynes and others but rather after assuming that there is something less than a perfect fit of any one or combination of theories to the realities of our present industrial society to suggest some concepts that might be useful in developing a mid-twentieth century theoretical explanation of our industrial economy. To make the discussion a bit more manageable the aspect of the economy generally referred to as industrial management will furnish the principal target, realizing that to mark off industrial management for special treatment is purely academic in that, in fact, industrial management cannot be carved out of the economic system. Another qualification is that insofar as possible this treatment is not an analysis of the business cycle, the monetary system, nor is it an attempt to find some reliable economic predictors.

The objective is not to identify good management as contrasted with bad management, nor to inquire about management motivation, but to suggest possible ways of approaching the question of what is management. There are many intellectual and literary pitfalls in this kind of exercise such as, without realizing, one is likely to shift his thinking from the management function to the management man or to turn without warning from the management man to the management function. Sometimes what one says about the management man is also true about the management function and sometimes it is not true.

One reason for writing this paper is the frequently heard

[1] "The Apologetics of Managerialism," Edward S. Mason, *The Journal of Business*, University of Chicago, January, 1958. "Looking Around," Gardiner C. Means, Harvard Business Review, May-June, 1958.

See also: "The Twentieth Century Capitalist Revolution," A. A. Berle, New York, 1954. "The Managerial Revolution," James Burnham, New York, 1941. "A Study in the Theory of Economic Evolution," Trygve Haavelmo, North Holland Publishing Company, Amsterdam, 1954.

comment that in X number of years, fifty perhaps, a theory of management will emerge. There is grave doubt that theories ever emerge but must be sought. Another thought is that it may be that the accepted qualifying tools of the applied scientist will yield little in the development of a theory of management because of the almost impossible task of identifying the multitude of relevant factors and the further problem of isolating any of the factors for purpose of observations and comparison. One finds management in all places inhabited by human beings, and an acceptable theory must apply to all of these almost infinite number of cases and not just to the business corporation. To probe for a theory of management with some sort of feeling that there are natural laws of management is also rejected with the statement that creation did not come with management attached. Management has, it would seem, been added to nature by man.

Avoiding at all costs, if possible, the dangers of becoming involved in the ancient debate between the theorists and the practitioners, nevertheless a word should be said concerning the theory we seek. We do not seek an absolutely perfect explanation but rather an explanation that lies some place between a hypothesis and a law, hoping that we may arrive at a point nearer a law than at a point nearer a hypothesis. This is not a mathematical theorem to be proved. It would be satisfactory to arrive at a statement comparable in terms of proof with the quantity theory of money, Gresham's Law or perhaps the theory of international trade. The eight concepts or factors to be considered are adjustment, totality, free entry and freedom of choice, uncertainty, creativity, economic judgeship, exchange and contract, and conservation. These eight factors were selected, not only because they are the only possible factors, but because it was thought that the eight factors covered rather well the basic fundamental aspects of industrial management.

The Adjustment Function

With these preliminaries disposed of, our first factor of adjustment will be discussed. The first idea is that perhaps management is an expression of the adjustment function. Management is not inert but deals with changes and differences. If there were one price there would be no pricing problem. Whatever the objective or objectives of management may be (to make profits, to win competitive races, to conserve resources, to acquire power, or to render services) the objective or objectives are attained by adding, subtracting and fitting together the various elements of energy and shades of values. It may be that a product can only be sold by adjusting price; or that in order to attract labor, wages must be adjusted. The adjustment may take the form of introducing a new method or building a new machine, a new method or new machine that will use less scarce factors and more plentiful factors of production. Changing taxes or import duties generally call for making adjustments of one kind or another.

A Frame of Totality

All of these adjustments are made in a frame of totality in the sense that an adjustment made, say in the production of steel in the United States may be "heard around the world." Even when attempts are made to "fence in" economic activity, such as the Iron Curtain, there may be and probably is a chain reaction. To isolate economic behavior in the long run is next to the impossible. The economic energy impulses run in all directions. Tariff walls may be set up in the United States because of cheap labor in some other part of the world. The tariff in turn will cause waves of reaction both in and out of the United States.

Freedom of Entry and Freedom of Choice

The behavior of the entrepreneur wherever he is found may be better understood when one reflects on the relative freedoms enjoyed by business men. First, there is free entry, despite the increasing need for large sums of capital for starting a new business. The freedom of entry into some sort of business is almost an absolute freedom. After all any person, even a child, may embark on a business venture. Children sell cold drinks from the front stoop or stage a show in a vacant lot or an empty garage (in the old days it was the hay loft). There are, of course, some restrictions to entry in that not all kinds of enterprises may be engaged in by all people at all times. There are capital requirements for some undertakings that cannot be met by all persons. There are also some geographical climatic limitations. It would be difficult for a person living in Florida to operate a swimming pool in Alaska.

The business man, as long as he stays within the laws of the land, may operate his business in any way he chooses. He may be a "brute" or he may follow all the rules for making friends. He may take special training in human relations, or he may not know the meaning of the term.

Since without freedom of choice there is little if anything to manage, it is fairly safe to say that one of the primary interests of management is to preserve a freedom of choice system. This may be the reason for business men's lack of enthusiasm for what is called government interference. Government and military administrators have little choice in making day to day operational decisions. Rules of conduct are found in rule books. The freedom of choice of government administrators and military leaders is for the most part confined to making policy and deciding on strategy and tactics.

Uncertainty

With freedom goes uncertainty. Because one is free to "go into business" doesn't mean that one is free from failure. There is nothing quite so dead as a bankrupt business. The burial is so messy. The lawyers and creditors paw over the remains in a most dreadful way. The uncertainties concomitant with freedom of choice create the business function known as risk-bearing. It may well be that the risk-bearing skill is the one most important skill of the businessman. There is and has been agreement even among the critics of management that the management of an enterprise involves the hazard of failure.

Creativity

Businessmen have been identified as contrivers and rightly so. As there is freedom of entry there is also freedom to

contrive. Accounting is after all a contrivance of the merchant in record-keeping and making evaluations, and according to archaeologists was one of the first forms of written communication. The businessman not only adjusts to differences, but also creates differences in values and costs by contriving new methods of production, and distribution. There is a vast complex of absolute and relative change in unit values. The entrepreneur is constantly engaged in making alignments of values that favor the making of profits. We hear much about an improved product at a "new low price."

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Economic Judgeship

It is sometimes said that the businessman sits as a self-appointed judge in an economic equity court. With his controls, and he must have some sort of controls to survive (during the depression of the 1930's the controls failed to function), he gives to one interest group and takes away from another interest group. By reducing prices rather than increasing wages the consumer interest is served rather than the dollar income interest of wage earners. In the allocation of resources, the businessman tends to raise the value of the resource selected for use and to lower the value of the resource "left on the bench." Will the manager use coal or oil for power, and will he ship by sea, air, truck or railroad?

The Exchange Function and Contract

Without exchange of goods and services including pay for work, the managerial function would be limited to a strictly individualistic self-sufficient "home brew" kind of operation with little or no need of theory. Whenever there is an exchange of values (markets if you like), uncertainty is multiplied. The owner of a pig to be exchanged for a bushel of lemons would be expected to know more about the pig than he would know about the lemons, and by the same reasoning the owner of the lemons should know more about the lemons than he does about the pig. In the exchange the lemon merchant may find that the pig was on the threshold of paralysis and the pig merchant may find that he (the merchant) is allergic to lemons. One might contend that the management function is the function of directing exchange of goods and services. In manufacturing of a complicated product such as an automobile there are perhaps thousands of exchanges of money for materials and parts, rent for the use of buildings and land, interest for loans, wages for labor and money for sales and advertising.

Voluntary exchange implies a contract in that there is an offer, acceptance and consideration which suggests that one may think of management as providing the energy involved in contract decision making. Contracts are only as good as the will and the ability of the parties to the contract to carry out their respective contractual responsibilities. Our industrial system would immediately collapse if all contracting parties would suddenly become irresponsible.

Conservation

If one is willing to grant that the conservation of time and energy (economy) and the relatively free use of plentiful resources and sparing use of scarce resources has a reasonably high correlation with the interests of management one may regard management as the guardians of conservation. There are some who contend that waste and not economy is the key to successful management in that waste reduces inventories and by so doing makes it easier to make profits. If our industrial economy is based on competitive waste, to be pessimistic, the starvation or survival of the world's population rests on the race between waste and available resources. The question of what is economy is a question of relative values and cannot be resolved by a simple input-output analysis. There is a time for economy and there is a time to forget about relative costs. The best example of a time not to concentrate on economy is when a war for survival is being fought.

Summary of Concepts

In summary, the concepts that have been suggested (there are, no doubt, many more) as worthy of consideration in casting some light in the direction of a theory of management are 1) adjustment, 2) totality, 3) free entry and freedom of choice, 4) uncertainty, 5) creativity, 6) economic judgeship, 7) exchange and contract and 8) conservation.

It would appear that there are interacting cause and effect relationships between several if not all of our concepts. For example, free entry and freedom of choice make for adjustments and cause uncertainty. Uncertainties reflect in the need for contract and for conservation. Creativity poses the question of economic judgeship in that the reward for creativeness must be determined.

It is also of more than passing interest to note that there are some mutually complementary relationships among the various concepts. For example, assumption of risk is complemented by the economy function. Making better use of the scarce factors is one way of minimizing risks of failure caused by the dwindling of a scarce resource. It looks as if the totality characteristic of management reduces risks of failure at one time and increases the risk of failure at another time. The reduction of risk would come about because

A WORK SHEET OR MODEL SHOWING SOME INTER FACTOR RELATIONSHIPS

	ADJUSTMENT	TOTALITY	FREE ENTRY AND FREEDOM OF CHOICE	UNCERTAINTY	CREATIVITY	ECONOMIC JUDGESHIP	CHANG CONTR
ADJUSTMENT		2. Amplifies the adjustment function	2. Amplifies the adjustment function	2. Amplifies the adjustment function	2. May call for and provide ways for adjusting	1. Calls for judgeship 2. May call for adjustments	ay ad rrang n exc plif djust unct
TOTALITY			1. Provides greater opportunity for free entry and freedom of choice.	1. Amplifies uncertainty and 1. Creates scope for discovery of ways for risk bearing	1. Greater scope for creativity	1. Increases responsibility for decisions	akes ider
FREE ENTRY AND FREEDOM OF CHOICE				1. Amplifies uncertainty	1. Stimulates creativity 2. Creates more opportunities for choice and entry	1. Creates more judgeship problems	hould ore p o ent xchan ontra
UNCERTAINTY					2. Creates uncertainty	1. Complicates the judgement problem	xchan for ncert ontra uces ncert
CREATIVITY						1. Poses the problem of rewards for creative activity 2. By granting special rewards creativity may be activated	ay pr ore g e exc
ECONOMIC JUDGESHIP							ay ch ratios xchan
EXCHANGE AND CONTRACT							
CONSERVATION							

NOTE

All of the affects numbered (1) are to be read from the factor on the left side of the page to the right and up to the factor at the top. All of the affects numbered (2) are to be read from the factor at the top down and to the factor at the left side of the page.

For example - Adjustment (1) calls for Economic Judgeship and Economic Judgeship (2) calls for Adjustment.

SUMMARY

1. Adjustment affects 2 factors and is affected by 7 factors.
2. Totality affects all of the other 7 factors, but the other factors do not affect Totality.
3. Free Entry and Freedom of Choice affects 6 factors and is affected by 2 factors.
4. Uncertainty affects 3 factors and is affected by 4 other factors.
5. Creativity affects 6 other factors and is affected by 3 other factors.
6. Economic Judgeship affects 3 other factors and is affected by 6 other factors.
7. Exchange and Contract affects 3 other factors and is affected by 5 other factors.
8. Conservation affects 2 other factors and is affected by 5 other factors.

SHIPS	CHANGE AND CONTRACT	CONSERVATION
C IP	y adjust by ranging for exchange	
r p		
for nts	plifies the djustment unction	2. May call for adjustments
s bility sions	kes for der markets	1. Less need for, if total resources are available -- 1. More need when competitive (war)
nore p	hould create ore parties o enter into xchange ontracts	1. May or may not promote conservation
es ement		1. Makes conservation decisions more difficult and increases need for conservation
	xchange makes for ncertainty ontract reduces some ncertainties	
f or	ay produce ore goods to e exchanged	1. May be in the direction of conservation
ng e- a- y be		
	ay change atios of xchange	
		2. Furnishes the judges with the criterion of conservation
otal		1. Through price exchange should conserve scarce factors

the businessman can look for customers and/or sources of supply in all parts of the world. The other side of the coin is that competition may appear unexpectedly from any part of the globe.

One of the essential elements of management is action. The action involves people and things. The word reflective doesn't describe management very well. Management is not too concerned with the question of the origin of man nor with the destiny of man, but rather with the question of how to feed and clothe the present population. The wide scope or totality of activity should also be stressed.

Relationships

In serving the interests of order, if not science, the accompanying schematic aid was devised. It is obvious that the recorded relationships are the product of subjective judgment and, therefore, bear all the weaknesses of subject judgment. It may be interesting to note that there is a notation in all of the 28 blocks indicating that each factor has some sort of relationship with all of the other factors. It is from the "count down" of the factor relationships that a suggested theory of industrial management emerges.

A recapitulation and reordering of the work sheet data reads as follows:

	Affects other factors	Is affected by other factors
Adjustment	2 times	7 times
Economic Judgeship	3 "	6 "
Totality	7 "	0 "
Creativity	6 "	3 "
Free Entry and Freedom of Choice	6 "	2 "
Uncertainty	3 "	4 "
Exchange and Contract	3 "	5 "
Conservation	2 "	5 "

It should be observed that in this table the factors fall into six categories reading from top to bottom. The categories are action (adjustment), decision making (economic judgeship), environment (totality), drive or energy (creativity, free entry, freedom of choice and uncertainty), method (exchange and contract), and objective (conservation). Uncertainty is listed under the energizing category because it is a well established belief that speculation has a high motivating value. It is also a well established belief that in competition, conservation or economy is a most important survival factor.

The categories with their counterpart management functions may be expressed in the form of an outline:

Categories	Management Functions
A. Action	1. Adjustment
B. Decision Making	2. Economic Judgeship
C. Environment	3. Totality
D. Energy	4. Creativity
	5. Free entry & freedom of choice
	6. Uncertainty
E. Method	7. Exchange and Contract
G. Objective	8. Conservation

If the work sheet judgments are reasonably correct the following summary statement as a suggested theory of industrial management should be justified. *Industrial management is primarily a complex of economic adjustment decisions carried on in a total environment energized by creativity, free entry and freedom of choice through an exchange mechanism with economy as the objective.*

It is suggested that one might test the validity of our theory statement by trying a fit of the theory to one's industrial knowledge. Let us say that one is operating a retail store, inventories must be adjusted to various variables such as the fluctuating consumer demand; urging customers to buy commodity A instead of commodity B is an exercise of economic judgeship; the possibility of competition coming from changing marketing systems, vending machines for example, illustrates the totality factor; the decision to engage in business, and the possibility of failure and the development of new sales techniques demonstrate our energy category; selling is obviously an exchange and keeping down overhead is a form of conservation.

One may quite rightfully ask "so what?" Why should industrial management need a theory? Suppose first that the melding of our eight factors is a fairly accurate statement of the essentials of industrial management, and secondly, that there is both an interest in preserving the system and improving its operation, then our "theory" provides a check list for charting the behavior and health of industrial management as an institution. Let us say that the economic judgeship function is being performed in a way unsatisfactory to society, repairs should be made. Or, restrictions on free entry and freedom of choice would signify the need for an investigation to find out why free entry and freedom of choice were being restricted. Competitive industrial systems are notorious for doctrine.

Finally, the author wishes to assure the highest possible receptivity to any and all persons, agencies or foundations who might wish to make funds available for further research that would serve to reinforce either the validity or lack of validity of our "theory" statement. ■

Wanted: An exact and explicit value system for directing and judging human relations activities

Administrative Perspectives of Human Relations

By FREMONT A. SHULL, Jr. [1]

A HUMAN RELATIONS PROGRAM may fail either because of inadequate or inaccurate planning or because of inept execution. Such adjectives as "inaccurate" and "inept" suggest judgments contingent upon comparisons that are dependent upon the application of some set of standards.

Such standards are commonly defined in terms of input-output measures of productivity (e.g., value added by manufacturing divided by factory payroll), or in terms of specific morale indicators (e.g., some absolute number of expressed dissatisfactions).[2] However, since these specific criteria are in most cases tangential or only indirectly related to profit maximization, the appropriateness of the standards themselves must be judged. Without an explicit hierarchy of standards that includes higher-order criteria, operating measures of human relations programs can be discussed *ad nauseam*. Yet, the absence of a complete and definitive value system is readily apparent in most discussions of objectives for human relations.

Objectives of goals are generally considered in terms of their value as standards of comparison. Nevertheless, their comparative and control functions do not exhaust their utility. Performance goals become standards which serve as a locus for attention and motivation and therefore determine operational performance.[3] This additional attribute of standards is explained by the fact that individuals tend to respond in terms of the standards by which they are judged. However, these standards are subject to the varied and personalized interpretation of those individuals to whom such standards are being applied. Thus, administrators are behooved to rationally develop value criteria and to communicate accurately standards of performance and their justifications.

If, however, the initiative for standards preparation and communication is not undertaken by those formally responsible, individuals will tend to develop their own standards of behavior. These informal codes of conduct arising as a re-

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sult of default are likely to be based upon the isolated, the specific, and the expedient, and the direction afforded the executor by these standards will not lead necessarily toward formal purpose accomplishment. Not only may such informal standards lack direction but they may be inconsistent among themselves. Because of the isolatedness and expediency of decisions made without formal direction, there will be some tendency for informal codes of behavior to include conflicting standards. Moreover, even formal decisions often are ". . . made simply as an answer to a crisis (and) . . . are inconsistent with each other in over-all purpose. One activity or decision may work at variance with another."[4] Therefore, even at the formal level, where the basic tenets of institutional human relations are ill-defined, the possibility for such conflicts are increased manifoldly. The foregoing statements illustrate the necessity for an exact and explicit philosophy or value system for directing and judging human relations activities.

A value system or a hierarchy of standards is composed of differing, yet related, levels of criteria. All but the highest-order criterion in the array will be subordinate to or subsidiary to some higher level standard(s). Judgments with respect to intermediate ends (e.g., the specific purposes of some "program"), as well as to a lower level of behavioral patterns (for example, means allocations within a program), eventually must be concluded according to higher-order values.

Optimizing Within a Value Spectrum

Examination of present standards seems to demonstrate that value systems for human relations comprise a set of conflicting ends. However, the decision-maker seems to perform as though the maximization of a single end maximizes the total value spectrum. The conviction that "I am my brother's keeper" may be based upon a value system that conflicts with, yet overlaps that which forms the foundation for the proposition that "a reduction in labor cost is desirable." To maximize according to the latter statement, the reasoning might be that cost reduction is an end which leads to the *highest possible return* on the owner's investment. This reasoning results in an operational objective for the personnel function of the following nature: Get the highest possible return from the payroll dollar over the long run.

In the elaboration of values, an alternative to maximization is optimization among ends. In the case of optimization, we may consider the organization of the business firm as a system of individuals and groups of individuals who consciously influence the accomplishment of its objectives and who receive benefits resulting from these accomplishments. The objective resulting from this second proposition might be expressed as: Utilize the human resources in such a way and to such an extent that all parties involved, including employees, receive *mutually satisfactory returns*.

The foregoing reasoning, which has been applied specifically to the personnel aspects of a business enterprise, is equally applicable to any of the other parties involved in the system. But it is the philosophy or value system of management encompassing the purposes and thus the justifications of a human relations program that is considered in this article. Nevertheless, it should be recognized that even where a value structure exists, misunderstanding or disagreement may occur because of a lack of differentiation of the relative order of values involved.

Organizational Ends and Human Values

The discipline of industrial relations, personnel management, or human relations presupposes group effort. A further assumption may be inferred — that the group is more than a heterogeneous, unrelated collectivity. The referent for the formal organizational relationship is the objective of that group; that is, the economic purpose of a business firm becomes its rationale or *raison d'etre*. The justification for group effort lies in the economies of specialization and

[1] Appreciation is given to Professor Eaton Conant for his thoughtful comments about this article.

[2] See, for example, the contributions made by: Willard V. Merrihue, and Raymond A. Katzell, "ERI-Yardstick of Employee Relations", *Harvard Business Review*, XXXIII, (Nov.-Dec., 1955), pp. 91-99.

[3] For a further discussion of this function of standards, see: Dickson Reck, "National Standards in Industrial Relations: Part I," *Advanced Management*, IXX, (Nov., 1954), p. 21.

[4] Edward C. Schleh, "Personnel Policy — a Track to Run On", *Personnel*, XXX, (May, 1954), p. 445.

the extensive labor requirements of modern mechanical devices. Accordingly, the formation of a group implies a purpose; a group is *formed* to accomplish that end.[5]

The general measure that indicates the success of a group in terms of that group's objectives may be called its "effectiveness." Such a measure reflects the degree of goal accomplishment. And, as mentioned previously, these measures may be expressed in the engineering form of output/input. Another prevalent means for presenting the measure of effectiveness is by expressing it as some profit percentage. Assuming the exercise of a general entrepreneurial discretion in our economic system, a profit ratio reflects the degree of goal accomplishment. There may be severe limitations to using profit as a direct measure of effectiveness.[6] Nevertheless, because of the general understanding of the term profit, its use as an indication of effectiveness will increase the clarity of analysis despite the generality of its meaning.

The rationale of a group may be explained in terms of its objectives; but, these objectives do not completely determine individual motivation. The group's purpose differs from the goal-directed tensions that provide the motivation for specific individuals to join the organization. Man does not join a business firm so that he may produce shoes. A highly sophisticated exchange economy, which both enhances and is a resultant of the roundaboutness" of our modern production methods, operates in such a manner as to develop a schism between the goals of the individual constituents and the purpose of the group.[7] The most obvious motive that accounts for the association of an individual with some economic organization is his desire to gain control over other goods and services. Such control is gained through the acquisition of wages, salary, or profits. But the attempt to predict a cooperative versus a nonconformist type of membership behavior or to interpret individual choices with regard to the initial membership decisions in terms of purely economic incentives is totally inadequate.

If motives are essentially goal-directed tensions and if individual goals have been shown to lack complete identification with the economic purpose of the enterprise, a second standard may be included by which the success of the group can be measured. Specifically, these accomplishments can be defined according to the degree to which benefits or satisfactions are returned to the individual constituents.[8] Where alternative economic organizations exist without the presence of coercive influences in the environment, the association will dissolve if the members do not receive satisfactions from the group. On such a basis, the significance and role of membership "attractions" may be established.

This second standard, expressed in terms of the extent to which individual satisfactions are met, is the "efficiency" of the organization.[9] At least superficially, efficiency appears to have some reciprocal relationship with effectiveness. If the former is not reasonably well met, the group disintegrates and the possibility of that group's meeting its economic purpose is lessened. If the latter criterion is not met, a competitive enterprise fails and thus is no longer in a position to offer benefits to its constituents. Thus, a direct and positive relationship may exist between effectiveness and efficiency. But, as later analysis will show, the relationship is unstructured rather than fixed. We will here say only that the dependency is very complex.

According to its definition, morale may be closely associated with efficiency. In the same manner as a profit ratio reflects only certain aspects of effectiveness, morale reflects efficiency, although it is not a single property of or solely attributable to efficiency. A psychological chain of reactions occurs between response and stimulus that must be analyzed most carefully — for example, consideration must be given to the perceptions of the satisfactions that are being returned as well as to the benefits themselves. Furthermore, one study reported that its research ". . . showed definitely that within a given plant favorable perceptions of company policies or favorable attitudes toward company programs and rewards are not consistently related to productive effort."[10] Satisfaction — or possibly satiation — of individual needs and desires does not necessarily lead to a willingness to subordinate these individual needs and desires for a group purpose, although a tendency for such may exist. Moreover, even if morale is defined as some temporary willingness to subordinate immediate individual needs and desires for a greater accomplishment of the group's objective, this willingness cannot be said to arise solely from the gratification of the constituent's needs. The Gestalt of man must be examined — the totality of, for example, his orientations and tensions. However, it suffices for this communication to define morale rather loosely as some attitude related to the satisfactions of membership needs and thereby rather inexactly associated with efficiency.

Evolution of Administrative Responsibility

Currently, there has been increasing attention focused upon administrative responsibility. This evolvement is best understood in terms of its historical foundation. Therefore, the following analysis proceeds in historical sequence. Three rather distinct stages can be perceived, although it is impossible to assign specific dates to them.

STAGE I: Stemming from the owner-manager-operator identity of the master craftsman, nineteenth-century explanation of work behavior was couched in terms of the rational economic man. The assumption of the positive and linear relationship between efficiency and effectiveness was

5 As was recently stated: "In its most elementary sense, a group transforms out of a collection by physically coming together and interacting with each other about a common *objective* or problem." Eugene Emerson Jennings, "Forces that Transform a Collection into a Group", *Personnel Journal*, XXXV (Sept., 1956), p. 127. Italics are mine.

6 The profit ratio, for example, may reflect the monopolistic aspects of the firm, at least in the short run.

7 Although a group is defined in terms of its own constituents, it is helpful to abstract this group and deal with it as distinct or apart from its own membership. The development of the schism discussed previously almost necessitates the use of such a fiction.

8 This event is most easily seen in the case of a fraternal organization.

9 *Cf.* Chester I. Barnard, *The Functions of the Executive* (Cambridge, Mass.), 1938, pp. 56-59.

10 Daniel Katz and Robert L. Kahn, "Some Recent Findings in Human Relations Research in Industry", in Guy D. Swanson, Theodore M. Newcomb, and Eugene L. Hartley (Eds.) *Readings in Social Psychology* (New York), 1952, p. 656. As a partial explanation, it might be said that: "The members of an industrial plant are part, not of one, but of

gene ally valid. The existence of this relationship did not requ re that efficiency be defined in terms of economic benefits, although in most cases such was the definition. Since the manager-operator performed the entrepreneurial functions as well, predictions concerning his behavior based upon economic motivation could be made with a considerable degree of reliability. Any benefits accruing to the enterprise did not require overt distribution. No distinction was needed for allocation of the returns by function, that is, by owner, manager, and operator. Psychic income was also closely associated with the "firm's" objective; e.g., prestige associated with the economic service provided by the institution was directly associated with the master. Thus a major share, if not all of the returns, economic and noneconomic, accrued directly to a single individual. He could decide between noneconomic returns and economic compensation according to his own predilections.

A similar type of case could be made for the "employee," or journeyman, whose ultimate goal was to become a master craftsman.[11] An additional characteristic of the 19th-century employee, the social proximity existing between the master craftsman and the journeyman in the form of family or friendship ties, increased the affinity of the worker to the institution.

However, with mass production came the requirement of large numbers of workers, and the individual worker's identity with the institution began to disappear.[12] The demand to exploit more fully the advantages of specialization of effort and its requirements in the form of fractionalization and diffusion of authority and duties further split the identity. Other characteristics of the evolving work environment — the increasing de-humanization, standardization, and simplification of jobs — tended to increase the schism. Thus the validity of predictions of worker behavior based upon restitution to the worker in the form of wages or upon returns to the enterprise was further destroyed.

STAGE II: Historically, the second phase of the analysis is founded upon the recognition of this inadequacy in predictive ability as well as upon the broader concept of human behavior operating within the work environment.[13] Here the vision of the worker as a rational economic man was amended. Man's behavior now appeared rational even though he was as much concerned with his noneconomic desires as with financial returns (particularly if his subsistence needs were being met). Expressed desires for better working conditions, for participation in those decisions that directly affected him, and for the expression of creativity on the job were understandable. Managers began to understand why the worker rushed from the plant or office in order to have sufficient time to blister his hands building a fireplace in his back yard. Not only was the wholeness of

the man accepted but recognition was given to his acts as he operated within the social system assumed to be inherent to the economic institution. The "grapevine" and the amount of floor carpeting in the office as a status symbol were recognized as aspects of the work situation. One study substantiating this view has concluded, ". . . recent industrial studies, in keeping with other research investigations, show the inadequacy of applying the behavioral model of individual motivation to a social organization." [14] The acceptance of such views as these aided the explanation of such actions as featherbedding and strikes, and additional meaning was found for choices made between alternative sources of employment.

If such a totality of employee needs and desires was present in the work environment and, at the same time, was a determinant of "productive" behavior, it behooved management to recognize and to meet at least minimum psychological requirements of the employees. As a result of this "new" understanding, extensive industrial relations or human relations programs, with a corresponding development of staff departments and staff specialists, were formed to deal with the problems disclosed.

The justification for any expenditure of time, effort, and money for these programs was that "good human relations is plain good business," or, expressed in different terms, "high morale leads to high profits."[15] However, the foundation for such evaluations is not the application of two

several interlocking social systems. Each system may have its own pattern of rewards and punishments which are not equivalent of the system set up by management to motivate the work and which may work in opposition to the institutional rewards", *Ibid*, 664.

11 One might question, however, the role which immediate economic livelihood played in the journeyman's (or his parent's) motivational pattern.

12 A dichotomy also developed between the owner-manager identity arising from the need for large accumulations of capital and was accentuated by the characteristics of the instrument that answered this need, the corporation.

13 See, for example, Robert Saltonstall, "What Employees Want From Their Work", *Harvard Business Review*, XXXI (Nov.-Dec., 1953), pp. 72-78.

14 Katz and Kahn, *op. cit.*, p. 650.

15 See, for example, the series of articles in the pamphlet prepared by the editors of Industrial Relations News, entitled: *The Dollars and Sense of Human Relations in Industry*, Copyright 1956 by Industrial Relations Newsletter, Inc.

standards, but, rather, the application of a single measure, the effectiveness criterion. The logic seems to be: Since there is a direct and positive relationship between efficiency and effectiveness, when efficiency is increased, a corresponding increase in effectiveness occurs; or to phrase the concept in less definitive terms, an increase in morale will result in a proportionate increase in productivity.

The tentative hypothesis is now offered that high efficiency and high effectiveness may be but attending phenomena, or that the two may be inversely related. Under certain conditions, for example, the threat of punishment (the possible return of dissatisfactions to the constituents) may induce increased employee performance (as measured by the effect of individual behavior upon formal goal accomplishment). Moreover, the idea that efficiency and effectiveness may at times be mutually incompatible, is at least theoretically possible. The statement was made that ". . . it is time to question the strategic and ethical merits of selling to industrial concerns an assumed relationship between employee attitudes and employee performance. In the absence of more convincing evidence than is now at hand with regard to the beneficial effects on job performance of high morale, we are led to the conclusion that we might better forego publicizing these alleged effects."[16]

Accepting the view, then, that a positive linear relationship between efficiency and effectiveness does not necessarily exist and assuming that both are significant ends, judgments must be made concerning the role each should play in a decision function based upon some hierarchy of objectives.

STAGE: III: If even a short-run choice is required between the two values — efficiency and effectiveness — or should only a long-run optimizing problem exist, then relative weights must be established for these value (desirability) parameters. Judgments concerning the relative weights assigned the two standards must be made.

The reasoning that justifies predominance of effectiveness over efficiency might be presented according to the following series of deductions: A business institution is first and foremost an economic organization and, in light of the prevailing politico-economic system, effectiveness must be the sovereign standard, since it is a measure of the successful pursuance of the economic purpose of such organizations. On the other hand, reasoning which substantiates the predominance of the efficiency standard might affirm that man is first of all a member of society and, as such, his primary consideration should be his relationship to total society rather than the means through which he contributes material satisfactions to that society.

Current Status of the Efficiency Standard

Under such an evaluation, the justification for the primary emphasis given to efficiency (membership satisfactions) is not in terms of the repercussions upon effectiveness (service or profit objective) but rather that good human relations is a desirable moral or ethical requirement of society.

While this latter view may never become common to business practitioners, current literature reveals propositions based upon such reasoning, although the values may be merely implied and not made explicit. One such article, to which contributions were made by businessmen, among others, stated: "Human relations are more than matters of expediency, sound psychology, or profitable business. They are also subject to moral and religious laws which are reflected in the conscience of mankind . . ."[17] Contrasting the role of morality to the role of economics in our complex modern society, the authors developed the proposition that: "Since management deals with human beings, with their social and moral life, it take on a character of trusteeship . . . and if the important facts of man's nature are ignored, an enterprise is not contributing its due to society."[18] A similar judgment was made by a past president of the American Management Association when he stated that: "Industry exists for the individual — not the individual for industry. The human personality, not the organization or any institution, is a paramount and supreme consideration."[19] Are not such prescriptive statements themselves evidence of the fact that modern employment relations in business has, for many reasons, assumed an importance nearly equal to that of service in the consuming market? Perhaps, if our society is an "affluent society" in which market services and the consumption orientation of business is of diminishing importance, business *should* stress the efficiency criterion.[20]

However, should the governing criterion continue to be effectiveness, the need for differentiating between the two basic standards is not lessened. This is particularly true if the hypothesis concerning the inverse relationship between effectiveness and efficiency is valid. An inadequate understanding or an incomplete distinction between these two standards creates confusion in the development of an ordered set of criteria. The major contribution in establishing such a distinction lies in the framework provided for the development of a more lucid and comprehensive human relations philosophy.

As one authority has stated: "It cannot be said with confidence that a systematic philosophy of personnel administration exists. Without it we lack perspective, guidance, and a sense of accomplishment. The principal reason for the absence of an integrated, systematic philosophy is that so far we have not been willing to give it the intellectual effort this problem deserves and demands."[21]

Until such a time as chance and adversity accommodate the wishes of administrators, the initial step in establishing a human relations program should be the elaboration and ordering of fundamental criteria for human relations in the business environment. ■

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[16] Arthur H. Brayfield and Walter H. Crockett, "Employee Attitudes and Employee Performance", *Psychological Bulletin*, LII (Sept., 1955), p. 421.

[17] Robert Wood Johnson, "Human Relations in Modern Business", *Harvard Business Review*, XXVII (Sept., 1949), p. 523.

[18] *Ibid*, p. 524.

[19] Earl Bunting, "Industry Looks at Its Relations with Employees, an address delivered at the 20th NAM Institute on Industrial Relations," Virginia Beach, Virginia, Oct. 30, 1950.

[20] In this article, the author has consciously attempted to abstain from arriving at value judgments concerning the role each of the major standards should play. The purpose here has been to establish the dichotomous view.

[21] Dalton E. McFarland, *The Forward Look for the Industrial Relations Director*. An address given at the 7th Annual Conference of the American Society for Personnel Administration, Nov. 8, 1955.

Men on this management level respond best when responsibility for their development rests squarely on them

The Development of MIDDLE MANAGEMENT *Executives*

By JAMES M. JENKS

DESPITE the great excitement occasioned by the arrival of "decision-making" machines, automation, electronic computers and the like, it is still distressingly evident that there is no substitute, in the managing of business, for people. And those most complex of living organisms are often the subject, as Mr. John L. McCaffrey of International Harvester Company once so aptly put it, of what corporation presidents think about at night.

An important segment of these people are those euphoniously titled middle managers. These middle managers are as much responsible for the successful operation of a business concern as are the company grade officers — the captains and the lieutenants — for the ultimate success of wide scale military campaigns. Both battlefronts and businesses are today usually too wide or decentralized for the wily strategy of a Stonewall Jackson or the tight-fisted reign of an Andrew Carnegie. More often the success of both are decided by the boldness of some lieutenant or the practiced judgment of a middle manager who makes possible a breakthrough which is then exploited by the higher ranks.

The purpose of this article is to suggest that the probabilities of the middle manager making the right moves at the right time can be increased substantially; that there is no need for a company to follow the military practice of hiring three men for one man's job because of a certain knowledge that two of them will fail; that improving the judgment of these "lieutenants of business", the middle

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managers, can readily be accomplished thus giving top management's strategic decisions a greater number of chances for success; and that this can be done without the elaborate time and money consuming frills which are now in vogue putting such activities beyond the reach of the organizations which need them most.

It is from the middle manager group that future top managers will be drawn. Strangely enough, comparatively less attention has been paid to this group so far as development of their managerial talents is concerned than other manager groups. Even the largest most well organized companies, which have spent millions of dollars on manager development programs, have often neglected this particular area.

Companies know, of course, that first line supervisors must learn how to supervise. Since first line supervisors are often drawn from the rank and file, it is necessary almost immediately to teach these men the meaning of their new responsibilities and how to use them.

At the upper end of the scale, in top management, the worth of the manager is more easily seen. Therefore there is little reluctance to send top managers to courses at the Advanced Management Program at Harvard or other such well known schools.

In the vital area of middle management the need is not so obvious, nor have the middle managers' talents been so thoroughly tested or exposed. The need, however, is as great or perhaps greater than on the other levels. Many a middle manager is surprised to learn after exposure to many supervisory development programs at a lower level of management that when he moves up to the middle management group, he is given less, rather than more training.

It is this crucial gap, this void that needs to be filled. At this level exercise of good judgment becomes very important. This level of management does not make strategic decisions but the tactical ones they do make, in their total, may be crucial.

If we can increase the possibility of these managers taking the right steps to implement top managers' overall planning, the total effectiveness of management will be greatly improved. It is the *quality* of thought which is important. Creative thinking cannot be taught, of course, but it can be stimulated. Therefore, the overriding objective of any plan for developing middle managers should be to stimulate and develop their abilities to think intelligently and constructively. Further, widening business horizons during this stage of management is essential not only for the improved functioning of the middle manager, but also as development for future top management responsibilities.

To provide such development of thinking and sharpening of judgment on a broad basis can best be done, in my opinion, through a process of manager development in which the participants are all members of the *same* company; they understand the company's objectives; they have their own individual ambitions, tempered by a real desire to improve the organization; and an activity in which the company takes a real and lasting interest. Any other approach, no matter how well intentioned, will fall short.

The basis of middle manager development should be a general study of the fundamental principles of business and practices of management. It is when a man reaches this level that he has his first real contacts with managers outside his own function. It is at this time that it becomes increasingly important for him to know the inter-relationships of the different departments of business. And it is here that sharpening judgments and stimulating intelligent thinking can occur. For the method of training used will work best if the trainee must learn to apply the fundamentals of business to the operations of his own company. It is the mental gymnastics which a man must go through to do this that trains him to handle quickly and expertly the problems which are likely to be thrown at him more rapidly and in greater scope as he moves up the management ladder.

Advantages of In-Plant Training

One of the often touted advantages of sending a man away to a university course or seminar is that he will learn by associating with his opposite numbers in other companies. He soon learns from such training that the problems he faces are not unique; the same problems occur in other companies and even in other industries; and that the solution to those problems usually rests on some fundamental principles.

While there are advantages in such association, I believe they are overrated. And I think that such a climate or method of training will not produce as good results as an in-plant training activity will, if organized properly.

How can such an in-plant training activity be organized? First, method is of great importance. I do not maintain that training has to be tailored so that the participants like it. But it must be acceptable to them. I think it is silly to subject a mature adult, a manager, to the same methods used to teach 18 to 20 year-old college boys. In fact there is widespread resistance to such methods among business men. Men on the middle management level respond best when responsibility for their development rests squarely on them. Executive development to a large degree is self-development; it is first the responsibility of the individual.

New Ideas Via Planned Discussion Groups

One workable plan would be to organize discussion groups of ten to twenty men who are drawn from as many departments of the company as possible. These men should be on approximately the same level of responsibility. The plan must provide that each man be *properly grounded* in the subject to be discussed *prior* to the meeting. This grounding may be reading a text, or some other material, or perhaps a business magazine article which is in line with the subject for discussion. But this prior grounding is essential.

What this type of training does is to bring new thoughts, principles or ideas (from the text, other material or magazine article) into the group. Something new has been added. This alone has a stimulating effect. But what is even more stimulating is the fact that the individuals in the group will be looking at the operations of their own company through another medium — through the medium of the text, magazine article, or whatever is being used as the preparation

for the basis of the discussion. Relating the subject matter to their own company's operations not only stimulates constructive thought but also makes managers exercise judgment.

Proper advance study or preparation by all members of the group is essential if such discussion meetings are to be successful. For otherwise all the burden for making the discussion successful falls upon the leader. This need not be. In fact, the best conference leaders of all are those who subordinate themselves to the role of drawing out the participants — getting each man to talk and keeping on the subject. I have seen excellent discussions conducted by men who have only a limited knowledge of the subject. When the leader's knowledge of the subject is greater than the sum total of the participants', the meeting soon degenerates into a lecture. However, when the sum total of the participants' knowledge is equal to or greater than the leader's, productive conferences and discussions can result.

> ***"When management talks of time, it usually means company time. There is no reason that I can see why a man in middle management should not be expected to put some of his own time into his development . . . It is only the timidity of top management whose thinking has been oriented to the problem of dealing with hourly-wage people that has prevented more than the most covert encouragement of managers to spend their own time on self-development"***

No amount of conference leadership can substitute for each participant digging into the subject matter to the degree that he contributes intelligently to the discussion. Without this essential ingredient any conference may fail.

Sources of Friction in Conferences

Most people think of successful conferences as harmonious affairs. The most productive are not. There must be an element of friction for a conference to be successful. One source of this friction will be differences of opinion. These came out particularly well when the members represent a cross section of a company. Another source of friction is differences of temperament — readily available in any group of middle managers. Finally, intelligent discussions can be provoked by the leader by continually bringing up for consideration how the reading and study done as prior preparation relates to the activities of the company. "How does this fit in with the company's methods?" "Why is this method better than the one presently in use — or is it better?" Here is where practice is given in sharpening judgment.

This type of development process can be accomplished without the time and money consuming "programs" so popular today. When management talks of time, it usually means company time. There is no reason that I can see why a man in middle management should not be expected to put some of his own time into his development. He is the one who stands to reap the greatest benefit from such time spent. We don't pity the top manager who puts in fifty to sixty hours a week in his office and then takes a briefcase home. Middle managers who really want to develop their talents are very willing to spend a few hours a week of their own time developing them. The voluntary enrollment of thousands of these men in university night schools and correspondence courses proves this is so. It is only the timidity of top management whose thinking has been oriented to the problem of dealing with hourly-wage people that has prevented more than the most covert encouragement of managers to spend their own time on self-development.

Manager Development Is Not a Program

Middle management development through a crash program will be relatively ineffective. Manager development is a process, not a program. The very word "program" implies a beginning and an end. Manager development, obviously, is a continuous process. Such development plans as are worked out should be spread out over a period of time. It is impossible to cover the necessary functional areas in management through on the job training in less time than the 7½ months the Middle Management Program at Harvard takes. And that course is full time. Yet this is precisely what some development programs are attempting to do.

The average middle manager will stay on that level for many years. While his development actually begins in one way or another immediately, in-plant training should be put on a continuing basis with only intermittent breaks to give him a sense of fulfillment.

Companies must tool up for middle manager development. In recent years a number of the larger companies have created a "Director of Manager Development" or a "Coordinator of Management Development" to give added emphasis to this movement. Most training departments have neither the staff nor the know-how to provide the training needed for middle managers. A new functionary is not necessarily required. What is needed, however, is a workable plan which will meet the requirements of middle manager development — simple, sound, interesting and practical. ■

Performance Review and Management

A review of performance is an intrinsic requirement of organized activity. Whether formal or informal, recognized or unrecognized, it is an always present responsibility of each contributor to organizational effort

By ERNEST C. MILLER

WHAT IS performance review? Why should we have any concern for a review of performance beyond what we are already doing in the everyday activities of our business? Doesn't the usual budgeting procedure adequately cover the significant aspects of performance review? Why should we create another "gimmick" to complicate further the jobs of already harassed managers?

What's in it for me, asks the too often already overburdened manager and well he might. What is in it for him? What is it, why do it, how is it done and what is the "payoff"?

All these are reasonable questions. Can we provide reasonable answers?

What and Why

Performance review is the measurement aspect of the method of performing management work. It is measurement of the results obtained from the function—the results from the position—and, in conjunction with standards of performance or statements of results required, is the basic control and learning mechanism of organized effort. Control comes from comparing accomplishment with plan. Learning comes from observing the results of what we have done and, when the results do not meet requirements, modifying our approach to accomplish better the results required.

The performance review process for each position is designed to measure, within the context of the generalized statement of responsibilities for the position, the specific results that must be accomplished by the position if the company's marketing, manufacturing, financial, personnel and research plans are to be achieved. In preparing the performance review process the company's overall business plans must be reviewed, translated into specific statements of results required if the plans are to be achieved, and the responsibility for specific results assigned to the different positions that constitute the company's organization. Much of this process of translation and assignment is accomplished in the preparation of the company's organization structure and subsequently in its operating budget. The budget is the translation of plans into financial measurements, a necessary but not sufficient element of performance review. Essential to a review of performance is the statement of results that must be obtained from each position, as derived from overall company plans and budgets, if the plans and budgets are to be achieved.

Performance review provides a process whereby we can sensibly communicate to each position the goals, objectives and results to be achieved for the stated period. Subsequently, we can compare actual performance against standards to make certain that the organization's overall goals are being achieved in a coordinated fashion.

It might seem that there is little need to emphasize the communications value of the performance review process since each manager knows how to and does give assignments to those he supervises. Further, the responsibilities of each job have already been communicated in job descriptions. Specific assignments are not sufficient, however, since they do not usually consider adequately the need for overall coordination and the need for balanced progress in the various results areas important to accomplishing the broad objectives of the organization. Job descriptions are too broad

and, while they reflect an effort to achieve overall coordination, do not provide the needed coordination and balance in the short-run application of the limited resources allocated to each job to the much more unlimited resource needs if the total job were to be performed. The performance review process provides a way of thinking about and approaching the task of informing participants in the organization's work of the goals to be achieved, how these goals relate to overall objectives and the relative priorities that consequently should be assigned to the various goals.

Performance review is done by each manager for his own work, so he can be truly self-directing and self-controlling, and is done by each manager for those positions for which he is responsible, so he can assist the people in these positions to accomplish the work required by helping them improve their knowledge, skill and approach to work. He assists them to learn how to productively and effectively manage themselves and their own jobs.

This aspect of the performance review process is of course a reflection of the manager's important function as a teacher or perhaps we should say, more appropriately, as an assistant to learning. The manager, through the proper organization of the work of his units, provides the measurements and standards that permit an assessment of whether the work performed is accomplishing the results required. The knowledge that comes from this assessment indicates whether the work is effective or ineffective and, as a consequence, whether changes in the type of work being done need to be made.

Change involves learning. Efficient learning requires materials and guidance. The manager must provide the materials and guidance to assist the employees for whom he is responsible to learn to do the types of work most likely to accomplish the needed results.

Performance review, as an organized approach to a manager's efforts to talk constructively with his employees about planning, organizing, staffing, coordinating and measuring problems within their areas of shared responsibility, gives the employee guide lines to action. In the discussion of measurements, it also gives him advanced knowledge of the "scoring" system. Such communication of plans, objectives, goals and measurements can provide the basis for and facilitate effective delegation of work. The procedures can provide a basis for self-direction and self-control by the employee.

Guide lines to action or the "rules-of-the-game" are essential if we are to have delegation of responsibilities yet retain some assurance that the effort expended will assist in accomplishing the organization's goals. To see how effective "rules-of-the-game" can be we need only look to sports. Within broad limits each sport can be played with little supervision if the "rules-of-the-game" are known. Golf, track and other similar sports, while usually played competitively, can also be played by an individual playing against *par,* the standard of good performance for a course, or against the records made for a course or type of activity. The same general approach is as feasible in the work of organizations but since economic situations are so much more dynamic the guide lines to action must be reviewed more frequently if they are to serve the objectives of survival and growth. The changed guide lines must be communicated to all who are "playing the game" before they can influence their actions in meeting the demands of their jobs. The performance review process in one way—and a sound way—ascertains that there is adequate communication of the guide lines to action.

Performance Review and Personalities

What is the relationship between performance review and the personalities of the people on the jobs or positions?

When performance review is approached as suggested above the emphasis is on the work of the organization and the results obtained, not on the personalities, skills, knowledge or attidudes of the incumbent managers.

This is not because of any lack of recognition that it is people who perform the work and obtain results. This is too obvious a fact to require statement. It is rather that the organization has an undeniable right to demand results but has no similar right to manipulate or to endeavor to change its people without their consent. The "what" of the

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MAJOR STEPS IN PERFORMANCE REVIEW

1 *Identification of Results Areas*

2 *Establishing Standards of Performance*

3 *Review of Results, Measurements and Standards by Next Supervisory Level*

4 *Review of Job Results*

5 *Analysis of Reasons for Results*

6 *Agreement on Development Plans*

7 *Appraisal of Potential*

8 *Setting Next Year's Objectives*

9 *Audit of Management Personnel*

job is the results obtained; the "why" of the results is the person, with his strengths and weaknesses; and the limitations to action present in the situation.

The assessment of results and a concern for the limitations to action present in the situation are primarily the supervisor's responsibility, with the assistance of the man on the job being reviewed. The assessment of the way in which the man's personal characteristics have helped or hindered the accomplishment of results is primarily the responsibility of the man himself, with the assistance of his supervisor if the man requests it.

This approach to work permits the organization to demand what it has every right to demand—results—without getting into the personal and private concerns of the individual. Naturally, most men when they recognize they are not achieving *realistic* standards will search within themselves for the reasons. Rarely in such circumstances will a man not seek the help of a respected and sympathetic supervisor. Not only will the man be motivated to seek advice but he will also be more highly motivated to use the advice he receives.

When the man and his supervisor discuss the man's weaknesses the man is taking the lead and the supervisor is a helpful contributor to the process. The personal dignity of all involved is protected and enhanced by this process. The obligation of each of us to improve ourselves and to grow and mature along lines that are most satisfying to us personally is reinforced by this mature relationship between two responsible adults.

Performance Review in Action

The Company

The company is an international organization with sales of approximately $500,000,000. In the United States and Canada it had at the time when the performance review aspect of the management process was introduced 12 operating divisions, each functioning as a relatively autonomous, integrated business with profit responsibility for a major product line.

The Performance Review Process

The process as outlined below was presented to management in a series of written documents giving detailed guidance and samples of each step of the procedure. In addition, on the request of an operating division, a representative of the personnel unit visited the division to discuss, explain and show how the process could be carried out most effectively.

The process has now been installed in a number of the operating divisions, tailored to fit each division's unique needs. While there will be further modifications, the basic approach can be said to be acceptable to line management. It works.

The job incumbent, his supervisor and the next level of supervision are involved in the performance review process. The steps of the process, a process carried out throughout the year, but emphasized at the end of the company's fiscal year by more comprehensive discussions, are:

1) *Identification of Results Areas:* The job incumbent and his immediate supervisor independently analyze the job description for the job and list the results areas and how they can be measured. Having done this they meet, review the results areas and measurements, and reach agreement as to the results required from the job and how they will be measured. In developing these statements they will of course be guided by operating budgets, profit growth plans and the general planning of the business as they relate to the specific unit involved.

As with the listing of job responsibilities, results areas and their measurements should be viewed as derived from and as extensions of the responsibilities of higher organization levels.

2) *Establishing Standards of Performance:* Standards of performance are statements of the measurements that will be taken to represent satisfactory performance. As the quality of an organization or its opportunities improve, the quality of performance judged satisfactory will increase. Since this may change from year to year, each year the job incumbent and his immediate supervisor independently state the measurement which will represent satisfactory performance for each result area. They then meet to discuss the

standards and reach agreement as to what level of results will be expected.

3) *Review of Results, Measurements and Standards by Next Level of Supervision:* The immediate supervisor and the next level of supervision meet, before the immediate supervisor meets with the job incumbent, to review, discuss and tentatively agree (subject to change during the discussions with the job incumbent) on the areas of expected results, the measurements of results and the measurement which will constitute standard performance. This meeting serves to assure a full consideration of general planning and budgeting objectives.

Only after he has reached agreement with his supervisor does the immediate supervisor discuss the material with the job incumbent.

4) *Review of Job Results:* Both the job incumbent and his immediate supervisor appraise the results obtained on the job and compare the results with the standards of performance. Performance may be considered Outstanding, Excellent, Above Standard, Standard, Below Standard or Unsatisfactory depending on the size and the direction of the discrepancy between results achieved and the agreed to measure for standard performance. Having done this independently they meet to review, discuss and agree on the ratings for each area and the weighted overall rating of results achieved. The immediate supervisor discusses his ratings with his supervisor before he meets with the job incumbent and together, so far as they are able, they consider and agree on possibly worthwhile development activities.

5) *Analysis of Reasons for Results:* The job incumbent and his immediate supervisor independently attempt to determine why the individual has achieved the results he has to provide a basis for counselling on how results may be improved and for preparing a development plan for the job incumbent. The "why" performance is of necessity the job incumbent's primary concern. The immediate supervisor plays the part of a sympathetic listener and a friend who can only suggest things for the job incumbent to consider.

6) *Agreement on Development Plans:* The job incumbent and his immediate supervisor consider the additional skills and knowledge the individual needs to increase his on-the-job effectiveness. They then consider and outline what the job incumbent can do to acquire this knowledge and skill and how his immediate supervisor can help him. The immediate supervisor may be able to help by removing situational limitations to the job incumbent doing a fully effective job.

7) *Appraisal of Potential:* An appraisal of potential is a separate activity which, for obvious reasons, takes place at the same time as the basic performance review process. The immediate supervisor and his supervisor meet, consider and appraise the job incumbent's potential for advancement, how quickly this advancement might come, what the man must do to prepare for advancement and the nature of the positions to which he might reasonably aspire. This procedure is kept separate from the general results appraisal so the job incumbent will continue mindful that results on his present job are his first and foremost concern.

8) *Setting Next Year's Objectives and Standards:* During the discussions of the past year's results against standards between parties involved in the performance review, they also discuss in detail the plans, programs and budgets for the coming year as they relate to the incumbent's job and agree on specific objectives and standards of performance for the coming year. Part of the development program for the job incumbent will be designed to help him accomplish these objectives, to achieve these results and to otherwise meet the challenges he will face.

9) *Audit of Management Personnel:* A review of the evaluations of performance gives an indication of current management strength and of individual and group training and development needs which must be satisfied if the organization is to better meet today's job demands. A review of the appraisals of potential gives an indication of the strength of management reserves and action needed to make them fully adequate to anticipated demands. These reviews are carried out by the president of the corporation and operating division presidents with such help from their personnel units as they might desire.

Conclusion

Performance review is an effort to make more systematic the measurements aspect of a manager's functions to permit a sensitive and sensible appraisal of the efficacy of the manager's and the organization's efforts to constructively carry out their responsibilities. A review of performance is an intrinsic requirement of organized activity. Whether formal or informal, recognized or unrecognized it is an always present responsibility of each contributor to the organization's efforts.

Performance review is an essential aspect of the management process. It will be wholeheartedly received by line management only if it is sensibly integrated with their ongoing management responsibilities. The performance review process outlined above is a convenient formalization and guide to this management process. It gives full regard to the legitimate demands of the organization while at the same time it fully respects the rights and dignity of the individuals involved. ■

East Carolina College Charter Presentation: (l-r) Ronald Henry, vice president; Floyd Smith, secretary; Dr. E.. R. Browning, director of the Department of Business; Sam Dry, faculty advisor; Lester F. Zerfoss, S.A.M. National Vice President; Bob R. Setzer, president; and Dee Bryson, treasurer.

University Division News

By HAROLD FISCHER, President

THE CHARTERING of a new Chapter at Dana College, Blair, Nebraska, brought to eleven the new University Chapters that started operations during the first semester. We are indebted to Professor James E. Estes of the University of Arkansas Chapter for starting the ball rolling and to Professor Clois Coon, the faculty advisor of the new chapter for their fine work in bringing the organization drive to a successful conclusion.

We start the second semester with the chartering of the new chapter at the University of Hawaii with Professor H. B. Stellmacher as faculty advisor. We extend a warm welcome to this University Chapter in our new fiftieth state and I am sure a very close and productive relationship will develop with the fine Senior Chapter in Hawaii.

In order to meet the needs and desires of students in the Graduate School of Business, Stanford University, (no student organization is allowed on the campus), a student affiliate of the San Francisco Chapter was organized with 36 charter members, thanks to the interest and support of Kenneth D. McCloskey, president of the Senior Chapter and Dr. Paul Holden.

In February, the new chapter at the Illinois Institute of Technology was inaugurated, due to the outstanding work of James H. Combes, student organizer, campus leader and first president, and the continued effective cooperation of J. Alan Ofner of the Chicago Senior Chapter. Professor Robert Rogers is the faculty advisor.

Roosevelt University, in presenting J. Alan Ofner with a Certificate of Appreciation for his notable contribution to the development of the chapter, expresses the gratitude of all for his untiring efforts in behalf of the University Chapters and their members in the Chicago area.

Steps have been taken to establish chapters in nine additional schools during the semester: Northwestern University, Illinois; Drake University, Nebraska; St. Joseph's College, Illinois; Fairfield College, Conn.; Massachusetts Institute of Technology; Atlanta University, Georgia; California State Polytechnic Institute, Kellogg-Voorhis Campus; Aquinas College; and Michigan College of Mining and Technology.

In the Organization Manual of the chapter now in development at the last named school, the spirit of these new groups is well illustrated. Its foreword states: "The students will, through their affiliation and active participation in the work of this chapter, reveal a sincerity of purpose and desire to go beyond the normal classroom activities in order to prepare effectively for the responsibilities and opportunities that await them." James L. Anderson reports increasing enthusiasm and interest.

We pay tribute for a job well done to the following Chapters who won Membership Awards for their significant increases in membership during the first semester: Alabama Polytechnic Institute, Bowling Green State U., Loyola College of Montreal, McGill U., Oklahoma State U., Rider College, San Jose State College, Tennessee Polytechnic Institute, U. of Alabama, U. of Florida, U. of Miami, U. of Scranton, U. of Tulsa, Western Carolina College and Xavier U. The Hamilton Watch Membership Awards will be announced in April, as they are based on April 1 membership.

In addition, the following Chapters won membership in the "100 CLUB"; Bowling Green U., Duquesne U., Georgia Tech, Indiana U., McGill U., Mississippi State, Pennsylvania Military, Penn State, Purdue U., Rider College, Tennessee Polytechnic, U. of Houston, U. of Maryland, U. of Scranton, and Western Carolina College.

A recent communication from Mr. L. T. White, vice president, Cities Service Petroleum, Inc., indicates how well student chapters organize and plan their programs — "Yesterday I addressed SAM's Chapter at Rider College. It was the best organized affair I have ever seen. There were more than 300 in attendance. The planning, timing and conduct of the program was an excellent demonstration of how management training helps." This was the result of the work of Professor Carl F. Nawoj, faculty advisor and Glenn Theis, program chairman.

The Georgia Institute of Technology Chapter came through successfully with its second annual Winter Management Conference on February 5. Mr. E. J. Forio, senior vice president of the Coca-Cola Company was the keynoter.

Plans also were developed by the Ohio University Chapter for an outstanding conference with Professor Ralph D. Smith as faculty advisor. Programs and invitations were sent to the Senior Chapters and the University Chapters in the Central Region, which includes Ohio, Indiana, Kentucky, as well as to chapters in West Virginia and Pittsburgh.

From the Performance Awards Plan — "Each chapter is urged to give thought and attention to the newsletter. It will bind your members closer together, serve as a medium for distributing interesting chapter and management information, and provide the opportunity for creative thinking, effective communication and organization planning and control. *Be original* — develop something *unique* in name, cover, arrangement, and content."

We are pleased with the development of newsletters by the University Chapters. The material is well written and effectively presented. Some include cartoons, the management problems of the month, excerpts from current literature, feature articles by faculty members and students on various aspects of business administration. Of course, personal items and chapter program information are indispensable. The Newsletter is another area in which our members are learning by doing.

The thoughts embodied in the recent communication from new president Eugene F. Nowak, Jr., of the Loyola, Chicago Chapter deserve repetition: "It certainly is an honor and privilege to be elected to an office of the Loyola University Chapter of S.A.M., and doubly so to be affiliated with the National organization of S.A.M. Its objectives and purposes which are dedicated to the promotion and advancement of the art and science of management are equalled by no other organization I know."

The slogan of Bowling Green State University is appropriate: "Education Our Challenge — Excellence Our Goal."

Among the many interesting names adopted by S.A.M. Student Chapters for their campus newsletters are the following:

BAB SAM **(Babson Institute),** ***North Avenue Journal*** **(Georgia Tech),** ***SAMBU*** **(Boston U.),** ***The Executive*** **(Boston College),** ***The Management Mirror*** **(Loyola of Chicago),** ***The Quest*** **(Ohio U.),** ***SAM Reports*** **(Villa Madonna),** ***Evening Manager*** **(LaSalle Evening Division),** ***S.A.M. Lamplighter*** **(Rider),** ***The Sample*** **(Sacramento State),** ***Volunteer Management*** **(U. of Tennessee),** ***The Leader*** **(U. of Wisconsin-Milwaukee),** ***The Management Student*** **(Indiana U.),** ***Management Advances*** **(Roosevelt U.),** ***Management Monitor*** **(Franklin & Marshall),** ***SAM News*** **(U. of Minnesota),** ***S.A.M. Slants*** **(Temple U. Evening Division),** ***SAM SEZ*** **(San Jose State),** ***Ole Miss Manager*** **(U. of Mississippi),** ***SAM Briefs*** **(U. of North Dakota),** ***S.A.M. Speaks*** **(U. of Omaha),** ***Dynamic Young Management*** **(Syracuse U.),** ***Flash*** **(Kent State U.),** ***Management Memos*** **(Pennsylvania State U.),** ***Junior Management*** **(St. Norbert),** ***SAM-O-GRAM*** **(Butler U.) and** ***Outlook*** **(Xavier).**